

Operational Review Task Force Summary of Recommendations

Governor's Commission on Government Reform & Restructuring Consolidation of Shared Services Committee Thursday November 18, 2010

OPERATIONAL REVIEW OF THE COMMONWEALTH'S USAGE OF ENERGY

- *State Sponsor: Department of Mines, Minerals and Energy*
- *Industry: Michael T. Hubbard, Manager Energy Conservation, Dominion Virginia Power*
- *Local Government: John Morrill, Energy Manager, Arlington County*
- *Agency Staff: Southwest Virginia Higher Education Center*

Recommendation: Centralize Energy Management across State Facilities

The State of Missouri shows the benefit of a centralized approach to energy management. Their project had a Return on Investment in less than 2 years of approximately 40%. With the work that has already been done in Virginia state facilities (i.e., Energy Savings Contracts), it is unlikely that the Commonwealth would achieve the same level of savings but, the case study gives an example of what is possible with a more centralized approach to facility management.

The state of Maryland DGS Utility Bill project is one component of their program to reduce energy consumption by 15%. Using a centralized management system for all state facilities, Maryland efficiently monitors energy cost and consumption.

Recommendation: Convert Virginia Energy Management Program (VEMP) to an Enterprise Operation

Currently, cost savings generated from the work provided by the Energy Management Program positions revert back to participating agencies. A portion of these savings could be used to fund the VEMP as an enterprise operation. As an enterprise operation, energy would not compete in agency budgets with core mission priorities. Money derived from agency's energy accounts would support VEMP recommendations that cannot be implemented with fluctuating General Fund appropriations.

Recommendation: Centralize Responsibility for Energy Management and Investments

Energy expenditures at each agency are a small part of the agency budget, but across all agencies energy is a large expenditure. By giving one agency such as the VEMP program, responsibility for the state energy budget, together with authority and responsibility for achieving energy efficiency goals, energy would become a core mission and would receive the support necessary to be successful. Additionally, with sufficient budget flexibility to move funds from energy bills to energy improvements, projects with a Return on Investment (ROI) of less than one year could be funded immediately.

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Recommendation: Develop a mechanism which allows agencies to more effectively communicate with each other on energy initiatives

The energy operational review subgroup asked agency energy managers what actions they are taking to improve energy efficiency and received an impressive list of accomplishments. Sharing successes and failures across agency boundaries could improve operations across the Commonwealth through lessons learned, both positive and negative.

Although communication occurs informally and through an annual energy contract management meeting hosted by DMME, communication of best practices is typically limited to agency energy managers. Future training and communication opportunities might include an Energy Expo that travels to various regional locations across the Commonwealth where vendors, businesses, schools and colleges, and agencies can showcase best practices while learning about new energy products, sources of alternative/green energy, conservation practices, recycling, net metering, etc.

An important part of a communication strategy would be to educate state employees how their actions affect state energy use and costs. The VEMP could use employee education resources from the Federal Energy Management Program, local governments, and private businesses in this effort.

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OPERATIONAL REVIEW OF THE COMMONWEALTH'S USAGE OF WATER

- *State Sponsor & Agency Staff: Department of Environmental Quality*
- *Industry: William R. Walsh, President, Virginia American Water*
- *Local Government: Bob Steidel, Interim Director of Public Utilities, City of Richmond*

Recommendation: Consider improvements to the state accounting system to provide greater visibility into the actual expenditures for water and wastewater.

Not only will this enable a focus on the most important issues, it will also allow the state to measure the results from the proposed initiatives. Performance metrics can then have a financial component further driving efficiencies and the development of best practices.

Recommendation: Designate a single state employee or an outside firm contracted by the state to be responsible to collect data on water use, review water use and cost, and to provide technical assistance to agencies on assessing opportunities for improving efficiency and reducing costs. This position should be responsible for analyzing consumption and cost trends relative to water usage in state facilities and to help agencies perform water audits and develop best practices for their facilities.

Recommendation: Consider a state-wide requirement for an Agency Environmental Management System (EMS) and train employees in water use awareness. Establish a system to encourage all state employees to notify the proper parties about leaks, drippy faucets, broken sprinklers, or other occurrences of water waste.

Recommendation: Design and construct new state buildings to LEED standards.

Recommendation: Conduct a state wide study to review: 1) whether there is a different cost impact associated with full service leases versus agencies paying the water utility bill directly; and 2) the cost effectiveness of owning and operating water and wastewater facilities independently versus organizing them more efficiently or even privatizing them.

The state should look at how they are operated, and see if efficiencies can be gained by consolidating management of these facilities, even across multiple agencies within a common geographic area. A number of these small facilities could be grouped together geographically and managed by a single centrally located operating unit on a "circuit rider" type arrangement where skills, operating licenses, repair materials, water quality labs, and resources are shared and not developed and maintained independently.

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After considering the range of best practices, the following recommendations are made to individual agencies and facilities to improve water efficiency and reduce costs (targeted to agencies that lease facilities or pay others for their water service):

Recommendation: Agencies should regularly audit water bills:

- Use Automatic Meter Reading (AMR) software that is available to screen for changes in use which may reflect leaking infrastructure (identifying an opportunity to reduce water that is paid for but not used.)
- Read your own meter and compare to water bill as errors are not uncommon.
- Flag estimated bills and question them as they typically over-estimate use and therefore cost. If a sewer bill is based on the average water usage, an estimated bill can impact your sewer billing all year long, although many activities such as irrigation and vehicle washing, typically occur only or primarily in the summer months.
- Meter fire lines separately – don't mix up the bills! Fire line rate should be significantly lower.
- Compare water bill rates to those in the annual Draper Aden study (source of costs across the state by utility system) to see if lower rate could be negotiated. Also compare the rate being charged the state vs. the rate being charged other customers in the same system.
- Reduce water use = reduced sewer bill. It is important to understand the relationship between water and sewer billing. If the sewer bill is based on the average winter usage (since lawn watering and car washing in summer do not add to the sewer bill) then an estimated bill in winter can impact your sewer billing all year long.
- Audit your water use – e.g. AWWA software

Recommendation: For Commonwealth-owned facilities and those that supply their own water, audit current usage to identify potential applications for best practices:

- Audit water use to assess current uses and costs: 1) Identify water management opportunities; 2) Prepare a plan and implementation schedule; 3) Track results and publicize success.
- Develop replacement schedules for water inefficient systems:
 - Replace chillers and refrigeration units that use once through cooling systems.
 - Replace fixtures and faucets with WaterSense labeled products. Offices built before 1997 should change out toilets and urinals. After 1997, the standard changed to: 1) Use no more than 1.6 gallons of water per flush toilets; 2) Use no more than 1.0 gallon of water per flush urinals. There is high efficiency urinal models designed to use .05 gpf or less.
 - Use no-water urinals when appropriate – Consideration would need to be given for maintenance and or replacement parts over the lifetime of the product. Cleaning crew will need to be trained on cleaning and replacing the filters.

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- Install automatic sensors on faucets.
- Consider retrofitting grounds and landscapes over time:
 - Use native plants that are tolerant of local soil and rainfall conditions for landscaping.
 - Replace cool season grasses with Virginia Tech hybrid warm season grasses which require 40% less water.
 - Convert irrigation systems to moisture sensing WaterSense irrigation systems.
 - Stop irrigation when locality goes to water conservation.
 - Use rainwater harvesting or reuse to supplement or meet irrigation needs.
- Consider bulk purchasing opportunities:
 - For metropolitan areas with a large number of state-owned buildings, develop regional consolidated contracts to reduce costs, e.g. utility service, low flow fixtures in bulk.
 - For self supplied agencies consider bulk chemical purchases to reduce costs (state contract?)
- Hospitals should determine if there could be a cost savings realized if laundry services were outsourced.
- Colleges/Universities with food courts should ensure that the restaurants are metered and billed separately so the restaurants are paying for their water usage.
- Large facilities should consider multi-metering throughout their water system for better leak detection and repair and for better high usage analysis.

In addition to the best practices listed above, the group feels that additional best practice opportunities may prove useful with further development including:

Recommendation: Work to find opportunities for water reuse

Recommendation: Water efficiency tax holiday opportunities for low impact purchases at state leased facilities

Recommendation: Reduce water use to extend life cycle costs of septic drain fields

Recommendation: For metropolitan areas with a large number of state-owned buildings, develop regional consolidated contracts to reduce costs.

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OPERATIONAL REVIEW OF THE COMMONWEALTH'S WASTE MANAGEMENT

- *State Sponsor: Department of Conservation & Recreation*
- *Industry: Doug Whitehead, Director of Operations (Virginia/Maryland/Delaware), Waste Management, Inc*
- *Local Government: John F. Miniclier, Jr. , County Administrator, Charles City County*
- *Agency Staff: Department of Environmental Quality*

The waste management best practices and recommendations to capture potential cost savings involve better tracking and management oversight through an integrated system that includes: 1) source reduction; 2) recycling/reuse; and, 3) disposal. There is no uniform process across all agencies that integrates and tracks these metrics.

The recommendations that follow can be divided into two major categories: Contracting & Waste Management Operations and Source Reduction and Recycling Best Practices. The committee's investigation into waste management cost reductions determined that source reduction/recycling alone will not necessarily lead to the largest cost savings. The committee was aware that many if not most agencies have some effort towards source reduction and recycling. These efforts may lead to a net reduction in the amount of the waste stream that is disposed of through normal waste collection and land filling operations. However, no waste disposal costs (beyond source reduction savings) are realized unless the facility reviews its waste disposal volume to determine if smaller disposal vessels and/or reduced trash pickups could be utilized as a result of the reduction in refuse (sometimes referred to as municipal solid waste). The savings from these management actions can be significant according to waste management companies.

It should also be noted that all of the waste management practices listed here are also very applicable to local government operations. It is expected that significant cost savings could be realized as well as the associated environmental benefits.

Contracting & Waste Management Operations

Recommendation: Develop a "waste-contracting-checklist" or new methodology.

Recommendation: Develop a list of those recycling commodities (by region of the state) that either generate revenue or are revenue neutral.

Recommendation: Split out the four waste functions (street collection, transfer/long-haul, disposal, recycling), which will allow the agency to take advantage of savings in any waste produced.

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For example, using roll-off compactors will allow agencies to receive a separate bill for disposal to maximize savings from source reduction.

- The Commonwealth could reduce the actual service pickups as the waste volumes/weights drop.
- Reduced volume/weight equals reduced disposal costs.
- Have a separate compactor and receiver box for recycling that would allow the State to track and maximize recycling services, which may have a payback for commodity sales. Roll-off compactors would only be applicable for larger facilities. The vendor or compactor manufacturer would help in installation and details.

Recommendation: When a site has dumpsters rather than compactors, the Commonwealth should bid pricing by the yard, rather than specific container requirements. This allows a local building manager to reduce or increase can sizes based upon need.

A local state manager may see that his six- cubic yard dumpster, picked up three times a week, is two-thirds full on average. He may change this to an eight cubic-yard dumpster serviced twice a week. This would be a more than 10% cost reduction.

- Having both recycling and waste cans would allow the local manager to balance the two. Recycling collection is usually less expensive.
- This would require that the state identifies all dumpsters, roll offs, etc. that it has under contract. This is a central management function that does not appear to exist currently.

Recommendation: For major buildings the state should consider:

- Buying its own compactors, a probable cost savings
- Contracting service by itself
- Contracting disposal by itself
- Contracting recycling rebates separately

Recommendation: Amend waste disposal contract when waste generation is reduced due to source reduction/recycling efforts.

Recommendation: For metropolitan areas with a large number of state-owned buildings, potentially develop regional consolidated contracts to reduce costs.

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Source Reduction and Recycling Best Practices

Recycling is diverting end-of-life products and material from the waste stream, and then returning them to a processing network for recycling and reuse. The following information provides a checklist on how to set up and implement an agency recycling program:

Recommendation: Conduct a waste audit to determine the types of materials currently being disposed of in the trash. Examples include:

- Paper materials (e.g., office paper, magazines, cardboard, etc.)
- Beverage containers (e.g., aluminum, glass, plastics)
- Food waste (e.g., employee lunches, cafeteria food)
- Batteries (e.g., auto, electronics)
- Packaging material (e.g., kraft papers, bubble wrap, envelopes)
- Electronics (e.g., computers, cell phones, printers, etc.)

Recommendation: Determine which material identified in the waste audit will be targeted for recycling. Consider the following:

- Largest volume or amount of material
- Easily separated and stored
- Identified market/collector network for this material

Recommendation: Determine how materials will be collected within the office for recycling:

- Desktop bins
- Centrally located office bins
- Other (e.g., exterior storage such as a loading dock, basement, etc.)

Recommendation: Determine how materials will be collected by a vendor for processing:

- Materials collected and consolidated by housekeeping staff
- Materials collected and consolidated by office staff
- Indoor or exterior consolidation storage
- Materials collected and consolidated through a contract with a local vendor

Recommendation: Determine the one-time and on-going costs for recycling in the agency/office:

- Collection bins
- Consolidation bins
- Housekeeping costs
- Vendor contract(s)

Recommendation: Determine the training or guidance that will need to be provided to staff to implement the recycling collection program.

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OPERATIONAL REVIEW OF THE COMMONWEALTH'S USAGE OF PHONES & DATA

- *State Sponsor & Agency Staff: Virginia Information Technologies Agency*
- *Industry: John Herrmann, Solutions Architect with Verizon Business, serving Government and Education*
- *Local Government: Michael J. Culp, IT Director, Albemarle County*

Achieving the Connected Devices and Continuous Services cost savings requires a combination of thorough planning, cooperation and sacrifice. To achieve Cost Savings, the Commonwealth must understand the depth, breadth and total cost of ownership (TCO) for our voice and data networks. The Commonwealth must first **inventory**, next **analyze and design** and finally, **combine and consolidate**. It is possible that the greatest cost savings can be achieved by those agencies that are able to develop new policies that adhere to a single connected device per employee.

Recommendation: The Commonwealth should inventory existing assets. Agencies or business units should collect at least the total numbers for the following:

- telecommunication providers
- computing devices
- conference phones
- phone extensions
- voicemail boxes
- fax machines
- trunk lines
- handsets

Recommendation: The Commonwealth should analyze the inventory of assets and conduct analysis to design a Connected Devices and Continuous Services Business Model.

The inventory provides the data to complete analysis and design. Analysis will reveal more opportunities for cost savings. Design would allow for the creation of the Connected Devices and Continuous Services Business Model. During analysis, we would select one or more pilot agencies or departments and would partner with them to design and plan a consolidation of services and Connected Devices. This may include elimination of analog PBX systems, replaced with VoIP; or elimination of desk phones, replaced with a connected device that allows users to communicate via both voice and data. The result will be a template of services, Connected Devices, and policies and best practices.

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The concept of Continuous Services will also be analyzed and designed. The Connected Devices will be linked consumers of the Continuous Services. The design, policies and best practices would be developed as part of Connected Devices and Continuous Services vision.

Recommendation: The Commonwealth should implement the Business Model in order to achieve savings through combining and consolidating devices. There should be ongoing active management to maintain efficiencies.

Recommendation: VITA should continue to work with agencies to identify duplicate data storage and recommend savings strategies on the rising costs of data storage.

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OPERATIONAL REVIEW OF THE COMMONWEALTH'S USAGE OF PRINTERS, COPIERS AND FAX MACHINES

- *State Sponsor: Virginia Employment Commission*
- *Industry: Keith Wine, Client Executive and Senior Vice President for Virginia, Affiliated Computer Services, Inc., a Xerox Company*
- *Local Government: John Kandris, IT Director, Virginia Association of Counties*
- *Agency Staff: Virginia Information Technologies Agency*

Recommendation: The Commonwealth should complete a managed print services assessment to review various agencies and/or departments and evaluate the current enterprise print infrastructure.

Recommendation: State agencies should utilize multifunctional products in network printing in order to reduce the number and types of equipment being used for copying, printing, faxing and scanning.

- Develop an asset list that includes all relevant data for printers, fax machines, scanners, copiers
- Develop a document strategy that is customized based on the Agency's document creation and production requirements (i.e., content management and work process improvements)
- Implement print management best practices- (i.e., set duplex printing as the default on all print drivers)
- Identify key sources of print volume and paper consumption.
- Develop a strategic plan for asset consolidation

Recommendation: The Commonwealth of Virginia should utilize a centralized, universal communications management system with the ability to send, receive, print, archive, and track faxes through the familiar environment of the multi-functional peripheral or email client. This would include with enterprise desktop faxing capabilities for all users.

Recommendation: Virginia should continue to increase Electronic Document Management and Communications.

There are several trends are driving the rapid adoption of electronic document management technology allows one to scan all paper documents to create a searchable and secure filing system.

- **Low Costs of Electronic Storage:** It is now possible to store ten filing cabinets full of paper in one gigabyte of electronic storage.

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- Familiarity with Computer Applications: Today, everyone is trained to be familiar with common computer applications. This means adoption time and training for new applications is minimal.
- High Speed Scanners and Multi-functional Copiers: Documents can be scanned quickly and conveniently with sheet-fed scanners, available on most new digital office copiers.

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OPERATIONAL REVIEW OF THE COMMONWEALTH'S ASSET INVENTORY & MANAGEMENT

- *State Sponsor & Agency Staff: Department of Accounts*
- *Industry: Andrew Harmond, Virginia Public Sector Client Manager, IBM*
- *Local Government: Regina V. K. Williams, Manager, City of Norfolk*

Recommendation: Adopt an expanded view of asset classes

This will allow agencies to have a wider and more complete influence over how they spend and control their key assets. This approach leaves fewer assets to be managed informally or by inconsistent procedures. By bringing more asset classes together (i.e., under a common purview and portfolio) the Commonwealth can make better decisions in support of the agency needs, including investment decisions, performance decisions, or compromises across the entire Commonwealth portfolio.

Recommendation: Set a comprehensive asset management strategy and vision that makes sense for the asset classes and business requirements

Establishing executive sponsorship and ongoing advocacy of asset management leveraging the existing Commonwealth organizational structure and chain of command is essential. The Commonwealth would benefit by leveraging the existing asset management efforts led by the Department of General Services in the area of facilities management to other asset classes. Consideration should be given to establishing a Chief Asset Officer for the Commonwealth.

Recommendation: Clearly define asset targets, standards, metrics, policies, and procedures focusing on delivery of the asset management strategy

Developing enterprise policies and standards and conducting portfolio asset management planning across the entire portfolio of assets can help the Commonwealth determine what value the assets deliver to the agencies.

Recommendation: Use technology as an asset management tool

Technology can transform how asset management is planned for and executed. In an Enterprise Asset Management (EAM) system, models for planning and management are resident within a common, centralized system. Active cataloging, monitoring, and measurement of assets is also tracked, often in real time, to aid repair actions, to enable quick procurement and replacement decisions, and to monitor performance. Technology is also used to integrate the EAM with other key systems, such as accounting, procurement, and business performance management dashboards.

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OPERATIONAL REVIEW OF THE COMMONWEALTH'S TRAVEL

- *State Sponsor: Virginia Department of Human Resource Management*
- *Industry: Joseph S. Testa, Vice President of State Government Affairs, American Express Company*
- *Local Government: George Hrichak, Fleet Manager, City of Chesapeake*
- *Agency Staff: Virginia Dept of Behavioral Health and Developmental Services*

Recommendation: Implement a mandatory statewide travel contract

The majority of agencies do not have a travel contract, but individually negotiate each trip. An outsourced supplier could leverage greater volume to maximize negotiating power and savings.

Recommendation: Implement a comprehensive travel automated system

Online travel systems are available and could be a requirement in any travel contract for a more efficient and effective travel system. The benefits of a managed travel program include:

- Enhanced reporting capability allowing comparisons
- Compliance control
- Unused ticket tracking
- Experienced agents
- Customer service
- Reduced staff time

By utilizing an automated system, employees can focus on their primary mission rather than administrative details. An investment in technology would be needed to implement this recommendation.

Recommendation: Increase availability and utilization of teleconferencing and online meetings

The team recommends the increased utilization of teleconferencing and online meetings. Some non-general fund agencies have the infrastructure for one or both of these options. Travel savings and efficiencies could be realized if more agencies had this capability. The Virginia Information Technologies Agency should provide assistance in developing a statewide network which may require an investment by the Commonwealth.

Recommendation: Expand utilization of the DHRM Commonwealth Knowledge Center

Although 131 agencies currently are participants in the Commonwealth Knowledge Center, there are others that do not offer online training to their employees or have their own learning system.

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A consolidated approach would result in savings. There is an opportunity for collaboration with local governments, political subdivisions and independent agencies that would like to participate in the Commonwealth Knowledge Center.

Recommendation: Permit local government, political subdivisions, and independent agencies to participate in state travel programs

If the Commonwealth implements a travel management contract and a comprehensive automated system, the system should be leveraged for both state and local governments. Volume drives discounts, and including additional participants in the program would drive down costs for everyone. It would be a win-win opportunity the Commonwealth and other government entities to partner in a travel management program.

Recommendation: Conduct a study on travel spending for people in the care and custody of the Commonwealth

Almost 40 percent of the state's travel expense is for people in the care and custody of the Commonwealth. Supplements and Aid is by far the largest category of travel spending. Further study of this spending is recommended, considering such things as:

- Identify best practices to improve and strengthen the practices already in place,
- Explore ways to leverage travel spending for people in the care and custody of the Commonwealth,
- Examine the program models used by other states to transport people in their care and custody, and
- Determine what program models would increase savings and efficiencies in the Commonwealth.

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OPERATIONAL REVIEW OF THE COMMONWEALTH'S FLEET MANAGEMENT

- *State Sponsor: Department of General Services*
- *Industry: Michael E. Wright, Group Manager, Enterprise Fleet Management*
- *Local Government: Paul N. Proto, Director of General Services, Henrico County*
- *Agency Staff: Department of the Treasury*

During the initial discussions with the operational review team, the team concluded that there was insufficient data to begin benchmarking aspects of the state's fleet or developing specific recommendations that would lead to substantial savings. The team determined that it is best to begin by having agencies provide more detailed data to the committee. That data will then be used to determine best practices within the fleet and make specific recommendations.

Recommendation: The Department of General Services should work with other agencies to conduct a survey to obtain more detailed information regarding current state agency resources that are being devoted to fleet management. The following steps are recommended:

- The Commonwealth performs an inventory of resources and assets in support of vehicle maintenance operations. (e.g. facilities, FTE, vehicles, automated fleet management systems)
- DGS, with assistance from VDOT, and other state agencies and institutions of higher education interested in participating with DGS and VDOT, develop an asset survey tool to collect data needed to perform operational and cost analysis related to vehicle fleet management operations. DGS and VDOT should work towards developing this tool and having ready for distribution to state agencies and institutions of higher education no later than March 1, 2011.
- All executive branch state agencies and institutions of higher education should be instructed to complete the prepared survey tool and return their data response to DGS no later than April 1, 2011.
- DGS will be prepared to report to the Consolidation of Shared Services committee findings from the conducted survey, and make recommendations on next steps based on provided data no later than June 30, 2011.

DGS has shown in its state of the fleet reports over the past three years that it is performing vehicle maintenance services on passenger type vehicles more cost effectively than those agencies that have reported their cost data as part of the state of the fleet report.

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Recommendation: If the results of the survey show that it is more cost effective and operationally viable for vehicles to be centrally managed, executive branch agencies and institutions of higher education agencies should be directed to use the DGS service for fleet management.

Recommendation: DGS should make their maintenance service model available to localities and other public entities if such entities request that DGS maintain their fleet.

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Operational Review of the Commonwealth's Usage of Banking Services

- *State Sponsor: Office of the Secretary of Finance*
- *Industry: Vanessa Hampton, Vice President, BB&T*
- *Local Government: Dean Lynch, Director of Intergovernmental Affairs, Virginia Association of Counties*
- *Agency Staff: Department of the Treasury*

Recommendation: The DOA should focus on increasing the enrollment of vendors in electronic disbursements for those receiving more than 300 payments annually. In the longer term, DOA should examine the feasibility of outsourcing these processes to a third party provider.

Currently, 47% of general warrant disbursements are made electronically and the Department of Accounts (DOA) has made significant progress in transitioning to electronic payments through the usage of the small purchase charge card program as a substitute for payment by check. However, there are notable hurdles to further improving general warrant electronic disbursements administered centrally by DOA. In particular, DOA cannot currently meet the statutorily permitted requirement to process electronically payments made more than six times annually to the same vendor. According to DOA, its current level of staffing resources is inadequate to process the necessary paperwork required to enroll the extremely high volume (i.e. more than 20,000) of vendors who receive more than six payments annually in the EDI system.

Recommendation: The Department of Taxation should intensify promotional efforts for electronic filing of taxes to allow the commonwealth to provide more refunds electronically.

Currently, 48% of tax refunds are paid electronically. One reason this number is not higher is the reluctance of individual filers to adopt this choice of payment, despite the Department of Taxation's (TAX) promotional efforts. The Task Force recommends that these promotional efforts should be intensified and to stress the extended time it takes to process a paper return versus an electronically filed return and the resulting refund. Another reason this number is not higher appears to be tied to Tax Preparers underutilizing electronic refunds as compared to the general public. Further analysis into why a significant number of electronic refunds are not being issued from the Tax Preparer community is recommended. If these efforts are unsuccessful, it may be worthwhile to explore monetary incentives to encourage the tax filer to embrace electronic refund delivery.

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Recommendation: The Task Force recommends the state continue to promote card based payments made for licenses, fees, fines and other payments.

Given the lower cost effectiveness per transaction of using eCommerce for receipts, the need to convert from checks is less striking than it is for disbursements. While the actual banking costs for receipts processed through credit or debit cards are more expensive than receiving funds by check, the state has found many advantages conferred by card processing that are worth the additional cost. These advantages include lower agency processing costs, more timely receipt, greater interest income, better remittance data leading to more efficient posting and certainty of payment resulting in fewer returns. The Commonwealth processed 16 million credit card transactions in calendar year 2009.

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OPERATIONAL REVIEW OF THE COMMONWEALTH'S ACCOUNTS RECEIVABLE

- *State Sponsor: Department of Accounts*
- *Industry: Gena Wade, Vice President, Public Sector (U.S. Central and South), CGI*
- *Industry: Mike London, Vice President of Consulting, CGI*
- *Local Government: Molly Ward, Mayor, City of Hampton*
- *Agency Staff: Office of the Attorney General*

Recommendation: Establish an Ongoing Structured Accounts Receivable Work Group

The key recommendation made by the AR team is for the Commonwealth to establish an ongoing structured work group comprised of key members from the finance arms of the executive and legislative branches of state government, the OAG, and the Supreme Court of Virginia to clarify the Commonwealth's operating framework governing AR. The AR work group will conduct activities on an ongoing basis to develop a shared vision confirming COV's resolve to enforce debt collection statutes despite potentially negative public reaction to more aggressive debt collections tactics and strengthen AR policies and procedures, interagency coordination, cooperation and accountability that will advance the recommendations made by the Reform Commission.

Recommendation: Establish an Accounts Receivable and Debt Collection Reporting Framework

Identify, strengthen and implement a meaningful and cost effective agency reporting framework to improve transparency and analytics over AR debt and debtor information. Transparency reporting dimensions include debt type, debt age, debt value, collection techniques employed, and clearer differentiation between receivables and delinquent and bad debt.

Recommendation: Develop Agency Accounts Receivable Profiles

Often the most important collection action occurs before an account becomes delinquent. Agency AR profiles can provide key input towards examining the processes behind the debts, understanding how and why delinquencies occur and evaluating the best courses of action to reduce the incidence of delinquency and overpayment through process change. For example, one of the forms of debt for some agencies is overpayments (e.g., unemployment benefits, medical claims payments, salary overpayments, tuition extensions, billing issues, required guarantees). COV needs to find out how and why initial overpayments occur and work to minimize them.

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Recommendation: Identify the Optimal Role of Local Constitutional Officers

Local constitutional officers such as Treasurers and Commissioners of Revenue can serve an important role as collection agents for the Commonwealth. Maximizing collections requires field detective work including a capacity to knock on doors, perform research in courthouses, execute liens on cars, boats, machinery and equipment, which local officers could perform.

- This initiative will require research on legal jurisdictional issues to determine the extent of local officer's collection authority, particularly for debts and/or assets of citizens outside their geographical boundaries.

Recommendation: Refine Reform Commission Recommendations on Consolidation of Non-tax debt Collections Services

Clarify roles, processes and procedures of existing entities that perform collections for the COV. Modernize technology and ensure use of available state and local data sources are optimized including VEC and DMV databases. Identify and evaluate merits and barriers of consolidation within the Department of Taxation or the Office of the Attorney General Division of Debt Collection. Evaluate options using these dimensions:

- Economies of scale available, including available current technology and practices
- Nature of current legal authority
- Quality of current practices against industry-recognized best practices
- Ease of administration
- Cost of potential consolidation (new staff, new technology, new practices)
- Legal changes required to enable effective consolidation
- Identify and resolve mutual concerns regarding "turf" issues, technology, costs

Recommendation: Ensure Enforcement of Existing Debt Collection Statutes

Minimize agency discretion throughout the collection process with particular emphasis on agency referral; write off, discharge and credit bureau reporting responsibilities. Evaluate compliance coverage through current APA audit program and consider including in the Department of Account's financial reporting Quality Assurance Review process or other compliance programs.

- Require debtors to pay collection administrative costs. Implement clear administrative policies and procedures enforcing Code § 2.2-4805, which allows escalating administrative fees supporting collection expenses to be added to all debts incurred after July 1, 2009.

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Recommendation: Review Debt Collection Statutes and Recommend Changes

Review existing law regarding AR and develop consistent and comprehensive legislation, including short and long-term legislative initiatives to maximize AR collections. Issues include:

- Property damage strict liability
- Centralized docketing of the Commonwealth's administrative and judgment liens
- Consistent statutory treatment of state agencies' AR
- Extended life of Commonwealth's judgments from 20 years to "until paid"
- Clarification of "emergency" regarding spousal liability for medical AR
- Clarification of responsibility for debts of minors
 - Medical bills of minor parent and his/her child
 - Property damage
 - Contracts
- Availability of information on state court websites, particularly without cost to other agencies of the Commonwealth
- Use of technology and its fruits in litigation
- Corporate debt, particularly
 - Liability of individuals that control corporate assets
 - Liability of technically "new" companies that receive corporate assets but do not assume corporate debt
- Insurance law (medical and liability)
- Enhanced penalties or personal liability for mental health and medical debt against persons who control the assets of patient debtors
- Identify existing laws and policy considerations impacting broadened authority for financial institution records match and professional and driver's license revocation.
- Expansion of existing tax refund and vendor payment offset programs to allow local debt information to be sent to the state for offset.
- Administrative level liens
- Distinctions, if any, between taxes, child support, court fines, and other AR (hospital bills, tuition and fees, fines and penalties, loans, overpayments, property damage, breach of contract, sponsored research, etc.)
- Strict liability for some or all AR (for example, property damage)
- Spousal liability for non-medical debts and for non-emergency medical debts

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OPERATIONAL REVIEW OF THE COMMONWEALTH'S SURPLUS PROPERTY, REAL ESTATE

- *State Sponsor: Department of General Services*
- *Industry: Gordon Hendry , First Vice President (Public Institutions and Education), CB Richard Ellis*
- *Industry: Michael E. Thomas, Senior Vice President of Grassroots Issue Management, McGuireWoods Consulting*
- *Local Government: James D. Campbell, Executive Director, Virginia Association of Counties*

Recommendation: The Commonwealth should perform the following actions to maximize revenues from the disposal of its owned real estate:

- Define “surplus property” with an expanded definition that promotes revenue generation through disposal. Specifically, the Commonwealth should look for opportunities to classify its owned real estate as surplus property. This means identifying under-utilized or inefficiently used property where value may be generated and maximized through a disposition strategy (sale, lease or public private partnership).
- Identify and inventory all owned real estate, and classify all surplus property. Prioritize the disposition of surplus property based on its potential value and opportunity for revenue generation.
- Seek opportunities to reduce owned real estate portfolio through efficiencies in space utilization. Identify consolidation and space reduction opportunities that promote classification of new surplus property for disposition.
- Perform highest and best use analysis, including estimating market value, to enable cost/benefit analysis in decision-making on owned real estate.
- Utilize asset management strategy - track information about properties, including expenses, revenues, value, tenants, etc. to establish baselines for data driven decisions.

Disposal of surplus properties should be commercially competitive. Statutory impediments should be removed:

Recommendation: Eliminate Unnecessary Steps and Delays in the Sale Process

§4-5.09 DISPOSITION OF SURPLUS REAL PROPERTY provides that surplus property shall not be sold or leased except under certain circumstances, including that either an emergency

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exist in accordance to §§44-146.18.2 or 44-146.28 of the Code or the Governor has notified the Chairmen of the House Appropriations and Senate Finance Committees at least 30 prior to sale of the property. This Section has the potential impact of loss of sales due to delays in closing.

Recommendation: Eliminate Impediments that Discourage Sales and Establish Unreasonable Restrictions

§4-5.10 SURPLUS PROPERTY TRANSFERS FOR ECONOMIC DEVELOPMENT provides that the Commonwealth shall receive the fair market value of surplus state property which is designated by the Governor for economic development purposes, and for any properties owned by an Industrial Development Authority in any county where the Commonwealth has a continuing interest based on the deferred portion of the purchase price, which shall be assessed by more than one independent appraiser certified as a Licensed General Appraiser. Such property shall not be disposed of for less than its fair market value as determined by the assessments.

This Section discourages transactions with local economic development organizations that represent a fairly large group of potential purchasers, and their use of real estate can bring major benefits to the Commonwealth.

Recommendation: Eliminate Restrictions on Private Use of Property

§2.2-1156A requires that, after it determines the property to be surplus to the needs of the Commonwealth and that such property should be sold, the Department shall request the written opinion of the Secretary of Natural Resources as to whether the property is a significant component of the Commonwealth's natural or historic resources, and if so how those resources should be protected in the sale of the property. The Secretary of Natural Resources shall provide this review within 15 business days of receipt of full information from the Department. Within 120 days of receipt of the Secretary's review, the Department shall, with the prior written approval of the Governor, proceed to sell the property.

Once property is conveyed outside of the Commonwealth it becomes subject to local ordinances and codes. To put additional restrictions on use of property is counterproductive.

Recommendation: Incentivize Agencies to Dispose of Surplus Property by Providing for Retention of All or a Portion of Revenues Generated from Disposition

§2.2-1156H provides that fifty percent of the proceeds from all sales or leases, or from the conveyance of any interest in property, above the costs of the transaction, is to be paid, subject to any contrary provisions of law, into the Conservation Resources Fund. The remaining 50 percent of proceeds involving general fund sales or leases is to be deposited in the general fund. However, under guidelines developed by the Department of Planning and Budget, any portion of the deposit in the general fund may be credited to the agency. Any amounts so credited may be

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used, upon appropriation, to supplement maintenance reserve funds or capital project appropriations, or for the acquisition, construction or improvement of real property or facilities.

The incentive of allowing general fund agencies to re-claim the 50% share of proceeds going to the general fund under certain circumstances apparently has not been effective. More thought should be given to incentivizing general fund agencies to sell surplus property.

Also, especially given that many state services are being reduced due to lack of funds, it no longer makes sense to pay fifty percent of the proceeds generated by sale of general fund properties to the Conservation Resources fund. This provision should be eliminated or the percentage reduced.

Recommendation: Consideration should be given to placing VDOT excess right of way under DGS for disposal:

- Appropriate checks and balances need to be established. VDOT should justify continued holding of real estate, including unused properties acquired for right of way.
- VDOT should provide a complete inventory of its holdings of properties purchased for right of way which are not used for roads.
- Statutes regarding disposal of excess right of way should be reviewed for relevance.
- Large parcels of right of way which cannot be conveyed to other parties, particularly those around interchanges and intersections, should be examined for productive uses.
- Air space above highways, including limited access highways, is a potential source of revenue that should be explored.

Recommendation: The Secretary of Administration should develop recommendations for the review of land use plans, and processes for declaring state-owned property surplus. Following approval by the Chief of Staff of the SOA's recommendations, the SOA will direct the Department of General Services, Division of Real Estate Services (DRES) to implement approved recommendations in the DRES real property management policies and procedures manual.

Recommendation: Consideration should be given to placing control of all state-owned land in a single agency (the Department of General Services):

- This would centralize decision-making with respect to utilization and disposition of real property under one agency.

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- Using agencies would retain management, operation and control of facilities.
- This proposal is supported by the fact that under the current scheme established in Va. Code §2.2-1147 land is owned by the Commonwealth rather than individual agencies.

OPERATIONAL REVIEW OF THE COMMONWEALTH'S SURPLUS PROPERTY, MATERIALS

Given the re-engineered processes the Commonwealth has successfully deployed over the last several years, the resources and assets currently in place, and the potential benefits that exist to assist all state and local government entities in the Commonwealth, the Review Team makes the following recommendations:

Recommendation: Beginning December 1, 2010, the Department of General Services, Office of Surplus Property Management should pro-actively offer and make available its services to state agencies, institutions of higher education, local school boards, local government entities and other public bodies, consistent with § 2.2-1124, F.

Adoption of this recommendation will result in cost and operational efficiencies, and increased sales revenue will be realized by all public entities and DGS collaborating together to leverage existing state public and private surplus property disposal infrastructure and services. This surplus property business model is designed to limit surplus property disposal costs, limit and manage the limited government resources needed to process surplus property, a required business process for all entities, and to maximize reutilization and revenue from the sale of surplus property to take advantage of property that might be shared and used by all state and local government entities, prior to disposal.

Recommendation: DGS should explore, with assistance from other state and local public entities, a state and local government integrated surplus property management "enterprise model" designed to efficiently manage the cost of disposal of surplus property while maximizing surplus property reutilization and sales revenue from the sale of surplus property. DGS should submit a report to the Shared Services Committee no later than October 1, 2011 on the feasibility of a surplus property disposal "enterprise model."

Recommendation: DGS, in collaboration with members of affected entities, should develop and implement a plan whereby processes may be combined for the reutilization and/or disposal of equipment deemed surplus to any Commonwealth public body through an automated surplus property management application managed by DGS. Any initiative is to

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have representation by a member or members from potential beneficiaries or public bodies, which might be affected by such an initiative.

Recommendation: DGS should establish a study group comprised of members from potential beneficiaries or public bodies that might be affected through the management and/or disposal of surplus property from Public Bodies in the Commonwealth.

This study group will collect data e.g., locations of surplus activities, services provided, costs to entities in maintaining operations for surplus property management/disposal, etc. An objective of the group will be to determine and assess – from an “enterprise” perspective – the appropriate balance of processes, roles, responsibilities, and benefits from improvements in efficiency and effectiveness when considering reutilization and/or disposal of property deemed surplus by all public bodies in the Commonwealth.

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OPERATIONAL REVIEW OF THE COMMONWEALTH'S INSURANCE (HEALTH & RISK MANAGEMENT)

- *State Sponsor: Virginia Department of Human Resource Management*
- *Industry: Scott J. McKay, CIO and Senior Vice President (Technology and Operations), Genworth Financial*
- *Local Government: Greg Dickie, Director of Membership Services, Virginia Municipal League, Insurance Programs*
- *Local Government: Christopher J. Carey, Director, Virginia Association of Counties Risk Management Programs, Inc.*

Recommendation: Fund Insurance Programs to a 51% Actuarial Confidence Level

Insurance programs work best when financially sound. Establishing a stable level of funding is critical. Failing to properly fund insurance programs reduces their ability to perform competently and increases cost.

Recommendation: Create an "Employee One Stop" for disability management.

The Commonwealth of Virginia currently has multiple portals to disability programs which create confusion for both employees and management. There is an opportunity to institute a "one stop shop" which would be seamless for employees that would integrate intake on the front-end and data on the backend while retaining the program subject matter expertise. Such an approach would:

- Improve customer service for employees by eliminating program confusion, saving time to file and report on disability claims,
- Eliminate duplicate filings for a more efficient process, and
- Enhance data analysis and fraud detection by providing access to combined data that is unavailable in today's program silos.

Recommendation: Eliminate the current stacking model of disability benefits for occupational injuries

Currently the Commonwealth uses a stacking model for disability benefits where VSDP benefits are paid in addition to Workers' Compensation benefits. In the Commonwealth's model, participants in VSDP can receive additional benefits of up to 100% pay, tax-free for a period of time based on length of service. Since the employee may receive more "in the pocket" when disabled than working, this creates a disincentive to early return-to-work. The Commonwealth should reconsider the current model of disability benefits for occupational injuries, and should include this in any benchmarking study that it conducts.

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Recommendation: Reduce lost work days in disability programs

A major cost driver to disability programs is the number of lost work days where the program pays for benefits, but receives no productivity in return. The Commonwealth has been very successful in its return-to-work program, and should put forth the same level of effort to reduce the number of lost work days. A baseline should be established for lost work days and strategies developed to reduce them in both the Workers' Compensation and the VSDP programs.

Recommendation: Enhance Commonwealth driver safety training

Automobile Liability claims were the leading cause of loss in FY 2010 for the Division of Risk Management with 1,337 claims. These claims also had the greatest severity with \$5,432,000 in associated costs to the program. Similarly in FY 2010, State Employee Workers' Compensation Services received 392 claims for various types of vehicle incidents with \$2,754,773 in total incurred costs (paid to date plus future reserves).

Although many of these accidents may be attributed to the nature of the business (Virginia State Police, Virginia Department of Transportation), an opportunity exists to improve Commonwealth safe driver training to help prevent future accidents, potentially reducing cost to the Division of Risk Management for Automobile Liability and to State Employee Workers' Compensation Services for employee injuries sustained in these accidents.

Currently safe driver training is available from Department of General Services Office of Fleet Management Services and Workers' Compensation Services.

The Commonwealth should task the existing Uniform Accident Prevention Committee, a multi-agency team organized by the Virginia State Police, to coordinate and lead an integrated approach to driver safety training. The Team recommends required training before driving a state-owned or leased vehicle for the first time.

Recommendation: Leverage vendor contracts to achieve volume discounts

The Commonwealth should explore leveraging vendor contracts to reap the benefit of "the power of the purse" for the Commonwealth. As a pilot program, two opportunities within the Department of Human Resource Management should be evaluated for leveraged spend:

- **Pharmacy:** The Health Benefits Program and the State Employee Workers' Compensation Program both use pharmacy vendors. The potential exists to leverage pharmacy spend between the two programs for greater volume discount. If successful, a shared contract may provide convenient, efficient volume discounting for other Commonwealth agencies and political subdivisions with similar need; for example, Department of Behavioral Health and Developmental Services, Virginia Department of

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Health, Department of Corrections, Juvenile Justice and local programs providing pharmaceuticals to clients.

- **Actuarial Services:** Currently, State Employee Workers' Compensation Services holds a shared Actuarial Services contract with the Division of Risk Management. The Health Benefits Program also holds a contract with a different actuary. DHRM will explore the potential to procure a joint actuarial contract to include Health Benefits. There are likely other Commonwealth Insurance Programs using actuarial services that may also benefit from a shared contract

Recommendation: Permit local government and political subdivisions to participate in state insurance programs

In the past, legislation has been proposed to allow local government participation in state programs, particularly the State Employee Health Benefits Program. Including local government and political subdivisions in state plans would be a win-win for both local and state governments and would at a minimum reduce administrative expenses. If implemented, the potential exists for increased savings to all participants through discounts available to a larger insured pool. Particular attention should be paid to adverse selection since it is a key consideration to the viability of an insurance program. The devil is in the details, and careful evaluation and planning should be done to ensure a successful rollout.

Recommendation: Conduct a benchmark study on insurance programs

The organization of the Virginia insurance programs is unique. The DHRM State Employee Workers' Compensation Services and the VRS Virginia Sickness and Disability Program should conduct a benchmark of other state governments' disability management models to:

- Explore the program models and organizational structure of other state disability programs,
- Determine what those structures leverage in terms of savings and efficiencies,
- Receive feedback on an "Employee One Stop" approach for disability programs, and
- Identify any best practices to improve and strengthen the practices already in place.
- Explore early intervention methodologies, including such things as claim reporting, panel physician usage, and nurse case management usage.